

# CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

HopFed Bancorp

Point of Contact:	Mr. Billy Duval	RSSD: (For Bank Holding Companies)	0
UST Sequence Number:	109	Docket Number: (For Thrift Holding Companies)	H2913
CPP/CDCI Funds Received:	18,400,000	FDIC Certificate Number: (For Depository Institutions)	30090
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	December 12, 2008	City:	Hopkinsville
Date Repaid <sup>1</sup> :	N/A	State:	Kentucky

<sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

**What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).**

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

The Bank and Company signed an MOU with OTS in April 2010. The MOU limited our ability to generate loan growth. As a result loans declined by approximately \$42 million in 2010.

☐ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

## CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

HopFed Bancorp

☒ **Increase securities purchased (ABS, MBS, etc.).**

Security purchases have been purchased as loans have declined. We purchased many SBAP and SBIC bonds (both issued by SBA) and Mortgage Back Securities.

☐ **Make other investments.**

☒ **Increase reserves for non-performing assets.**

The Bank has increased its allowance for loan loss account to \$13.9 million at march 31, 2011 and \$9.8 million at December 31, 2010.

☒ **Reduce borrowings.**

We reduced FHLB borrowings by \$21 million in 2010 and another \$10 million during the first quarter of 2011

## CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

HopFed Bancorp

☒ **Increase charge-offs.**

Our net charge offs in 2010 were \$5.0 million, more than three times our previous high of \$1.5 million in 2009

☐ **Purchase another financial institution or purchase assets from another financial institution.**

☒ **Held as non-leveraged increase to total capital.**

We raised \$30.4 million net proceeds of equity capital in 2010. Our capital levels are high at both the bank and holding company levels

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION  
(Include Holding Company Where Applicable)

HopFed Bancorp

What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

Our capital levels provide confidence to both shareholders and examiners concerning our staying power despite the difficult economic times. The current capital levels have prevented excess asset shrinkage for capital purposes.

## CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

HopFed Bancorp

---

**What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?**

The MOU limited our ability to grow loans. We probable would have shrunk the balance sheet by a greater amount had we not had excess capital.

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION  
(Include Holding Company Where Applicable)

HopFed Bancorp

Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

Purchase of investment securities listed above would not have happened due to capital mandates in MOU